

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 PM-05 H-01
INR-07 L-03 PA-01 PRS-01 SP-02 SS-15 AID-05
COME-00 EB-08 FRB-03 TRSE-00 XMB-02 OPIC-03
LAB-04 SIL-01 OMB-01 STR-04 CEA-01 IGA-02 INT-05
AGRE-00 /112 W

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O R 250737Z AUG 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC IMMEDIATE 488
USLO PEKING IMMEDIATE
INFO AMEMBASSY BANGKOK
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
USMISSION GENEVA
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY PARIS
AMEMBASSY RANGOON
AMEMBASSY SINGAPORE
AMEMBASSY WELLINGTON
CONCPAC HONOLULU

C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 12989/01

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E.O. 11652: GDS

TAGS: EFIN, EAID, ETRD, JA, ASEAN

1. SUMMARY. REGARDING ECONOMIC ASPECT OF JAPAN-ASEAN RELATIONS (POLITICAL ASPECT COVERED TOKYO SEPTTEL) JAPANESE ACKNOWLEDGE THAT PRIME MINISTER'S SOUTHEAST ASIAN JOURNEY

LEAVES A WIDE GAP BETWEEN JAPAN'S AND HOST COUNTRIES' VIEW OF THEIR MUTUAL RELATIONSHIP. NEGOTIATION OF KUALA LUMPUR COMMUNIQUE WAS TOUGH, AND FINAL LANGUAGE, INCLUDING SECTION COVERING PROPOSAL FOR UP TO \$1 BILLION JAPANESE CAPITAL TO ASEAN INDUSTRIAL PROJECTS, WAS CIRCUMSPECT. BILATERAL AID PACKAGES DISTRIBUTED ON SUBSEQUENT TOUR WERE SUBSTANTIAL BUT COULD NOT QUIET ENTIRELY RECIPIENTS' EXPRESSIONS OF DISAPPOINTMENT AND MISTRUST. TRADE AND INVESTMENT QUESTIONS MOSTLY REMAIN IN AIR. JAPANESE OFFICIALS NEVERTHELESS SAY THAT THEY REGARD JAPAN AS HAVING COMMITTED ITSELF TO SERIOUS FURTHER CONCESSIONS AND THAT "NOW WE MUST SHOW THAT WE ARE SINCERE." END SUMMARY.

2. IN WAKE OF PRIME MINISTER'S ASEAN JOURNEY, JAPANESE GOVERNMENT OFFICIALS ACKNOWLEDGE THAT AT PRESENT A WIDE GAP CONTINUES TO EXIST BETWEEN JAPAN AND ASEAN AS TO WHAT CONCESSIONS JAPAN SHOULD MAKE FOR ASEAN'S ECONOMIC DEVELOPMENT, BUT THEY ADD THAT THE DIFFERENCE IS IN PACE RATHER THAN IN DIRECTION. THEY NOTE THAT IT WILL TAKE TIME TO DEVISE A COHERENT ECONOMIC RELATIONSHIP THAT FITS THE POST-POSTWAR ERA AND LEADS JAPAN IRREVOCABLY BEYOND HER PAST AMBIGUOUS ROLE AS PAYER OF REPARATIONS AND AS GROWTH-FIXATED EXPLOITER OF MARKETS AND RESOURCES.

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3. DIFFERENCES OF OPINION BETWEEN TWO SIDES WERE ESPECIALLY MARKED IN PRIVATE KUALA LUMPUR DISCUSSIONS ON JAPAN-ASEAN COMMUNIQUE RELEASE AUGUST 7. MEETINGS TO REACH AGREEMENT ON COMMUNIQUE LANGUAGE FEATURED HARD BARGAINING REMINISCENT OF FIRST FORMAL JAPAN-ASEAN SESSION IN MARCH 1977, ACCORDING TO FOREIGN MINISTRY OFFICIAL WHO PARTICIPATED. HE COMMENTED THAT ASEAN HAD TRIED TO TAKE ADVANTAGE OF FUKUDA VISIT TO GAIN LAST-MINUTE CONCESSIONS. MEETINGS ON COMMUNIQUE BEGAN RIGHT AFTER AUGUST 6 ARRIVAL OF JAPANESE DELEGATION, CONTINUED TILL 6 A.M. AUGUST 7, AND RESUMED AFTER REST BREAK; BUT NOT UNTIL JAPAN-ASEAN HEADS OF GOVERNMENT MEETING BEGAN ON AFTERNOON OF AUGUST 7 DID TWO OF THE MOST CONTROVERSIAL POINTS - ON TRADE AND EXPORT INCOME STABILIZATION - REACH FINAL (AND NON-COMMITTAL) FORM. JAPANESE DID AGREE TO GRANT GSP TREATMENT TO ELIGIBLE PRODUCTS OF ORIGIN DIVIDED AMONG ASEAN COUNTRIES. SIMILARLY MODEST CONCESSION ON EXPORT INCOME STABILIZATION WAS AGREEMENT TO MAKE CASH CONTRIBUTION TO STOCKPILE ARRANGEMENT UNDER INTERNATIONAL TIN AGREEMENT. (THIS DECISION ALREADY HAS LED TO A CHANGE IN THE FISCAL 1978 JAPANESE GOVERNMENT BUDGET, OF WHICH THE FIRST DRAFT HAD JUST BEEN COMPLETED.) CON-

CESSIONS ON GLOBAL BASIS WERE IN LINE WITH FONOFF COMMENT
THAT FUKUDA AT SUMMIT HAD STRESSED EVILS OF REGIONAL
ECONOMIC BLOCS.

4. SUBSEQUENT STOPS AT ASEAN MEMBER CAPITALS AND RAN-
GOON PROVIDED OCCASION FOR SUBSTANTIAL NEW AID PLEDGES
TO THAILAND, THE PHILIPPINES, AND MALAYSIA. FORMAL
AGREEMENT WITH INDONESIA WAS REACHED CONFIRMING LARGE
JAPANESE COMMITMENT AT DONORS' MEETING, TOGETHER
WITH MIXED PACKAGE OF SMALLER ITEMS, SOME NEW AND
SOME DERIVING FROM EARLIER PLEDGES. ALSO PROVIDED WERE
TOKEN AID PLEDGES FOR SINGAPORE AND BURMA; EARLIER THIS
YEAR BOTH HAD REACHED AID AGREEMENTS WITH JAPAN WHICH
ARE HIGHLY ADVANTAGEOUS TO THE RECIPIENTS BY JAPANESE
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AID POLICY STANDARDS. ACCORDING TO FONMIN AID OFFICIAL
(KAGAMI, FIRST ECONOMIC COOPERATIO DIVISIN) TOTAL
JAPANESE AID COMMITMENTS, NEW OR FORMALIZED DURING VISIT,
CAME TO ALMOST Y180 BILLION (ABOUT \$680 MILLION),
EXCLUDING GOVERNMENT'S MINORITY SHARE OF PROSPECTIVE
LOANS TO ASEAN INDUSTRIAL PROJECTS. AID FOR SMALLER
PROJECTS IN INDIVIDUAL COUNTRIES IS LIKELY TO BE
DISBURSED ON AVERAGE MUCH FASTER THAN FOR ASEAN IN-
DUSTRIAL PROJECTS, SO THAT DESPITE BILLION-DOLLAR
PRICE TAG FOR JAPANESE (PUBLIC AND PRIVATE) CAPITAL
SOURCES, JAPAN'S ASEAN-DESTINED AID IS GOING OVER-
WHELMINGLY TO INDIVIDUAL ASEN MEMBERS, NOT TO ASEAN
AS A GROUP.

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INR-07 L-03 PA-01 PRS-01 SP-02 SS-15 AID-05
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LAB-04 SIL-01 OMB-01 STR-04 CEA-01 IGA-02 INT-05
AGRE-00 /112 W
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O R 250737Z AUG 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC IMMEDIATE 489
USLO PEKING IMMEDIATE
INFO AMEMBASSY BANGKOK
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
USMISSION GENEVA
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY PARIS
AMEMBASSY RANGOON
AMEMBASSY SINGAPORE
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5. JAPAN'S PROMISES,KAGAMI REPORTED, FELL WELL SHORT OF ASEAN MEMBERS' APPETITE FOR BILATERAL AID. IN PARTICULAR, THAILAND AND MALAYSIA, HE COMMENTED, EXPRESSED DISAPPOINTMENT LESS AT VALUE OF AID PACKAGE PROVIDED THAN AT JAPAN'S FAILURE TO COMMIT HERSELF TO AID OVER A LONG PERIOD IN SUPPORT OF THEIR RESPECTIVE FIVE YEAR PLANS. INDONESIA OFFERED A FAMILIAR BID LIST FROM WHICH JAPAN PICKED A COUPLE OF ITEMS, NOTABLY A PROMISE TO CONSIDER FAVORABLY A CONFIDENTIAL

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50 PERCENT INCREASE (FROM CURRENT \$75 MILLION LEVEL) IN THE JAPAN EXPORT-IMPORT BANK'S CREDIT LINE. PHILIPPINE NEGOTIATORS STARTLED THE WEARY TRAVELERS ON THEIR LAST STOP WITH A QUIVERFUL OF NEW AID PROPOSALS, WHICH COULD ELICIT ONLY AUTOMATIC PROMISES OF CAREFUL STUDY. SINGAPORE AND BURMA (WHICH IN LOW-PRESSURE MANNER PRESENTED LIST OF MOSTLY AGRICULTURAL AND A FEW INDUSTRIAL PROJECTS) GOT, AND EXPECTED, LEAST.

6. ASEAN REQUEST FOR PRIVATE INVESTMENT ESPECIALLY IN LABOR INTENSIVE INDUSTRIES OR IN THOSE USING ASEAN MATERIALS AND COMPONENTS HASNOT LED TO ANY IMMEDIATE FORMAL JAPANESE GOVERNMENT CONSIDERATION OF ISSUE, FONMIN OFFICIAL (INTERNATIONAL ECONOMIC AFFAIRS BUREAU COORDINATION DIVISION DEPUTY DIRECTOR MOCHIZUKI) NOTED, BUT JAPANESE MADE CLEAR THEIR INTEREST IN TECHNOLOGY TRANSFER BY INCLUDING AMONG THE ASEAN JOURNEY'S BILATERAL AID ANNOUNCEMENTS TWO PROMISES TO HELP ESTABLISH TECHNICAL TRAINING CENTERS - ONE IN THAILAND AND ONE IN SINGAPORE. (ON PRIME MINISTER'S RETURN

FROM SOUTHEAST ASIA, HE DID MAKE INFORMAL APPEAL TO PRIVATE SECTOR TO HELP FULFILL JAPAN'S NEW COMMITMENTS THERE; AND COMMITTEE ON ECONOMIC DEVELOPMENT, A BLUE-RIBBON GROUP OF LEADING CORPORATE FIGURES IN JAPAN, REPORTEDLY HAS MADE PROPOSAL FOR AN INVESTMENT FUND TO SUPPORT ASEAN DEVELOPMENT PLANS; OIL PRODUCING AS WELL AS INDUSTRIALIZED NATIONS COULD BE ASKED TO PARTICIPATE IN THE SCHEME.)

7. JAPANESE ON THEIR SIDE EXPRESSED DISSATISFACTION WITH CONDITIONS FOR FOREIGN INVESTMENT IN HOST COUNTRIES, KAGAMI SAID, AND THE RESPONSES WERE GENERALLY CONCILIATORY. SOME HOST GOVERNMENTS NOTED THEIR CURRENT EFFORTS
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TO IMPROVE LEGAL CLIMATE FOR FOREIGN INVESTMENT. MALAYSIANS IN PARTICULAR, HE ADDED, RESPONDED THAT THEIR POLICY FAVORS INVESTMENT, AND THEY PROMISED TO DEAL WITH WORKING-LEVEL OBSTRUCTIVENESS TO WHICH THEY ATTRIBUTED MANY DIFFICULTIES OF FOREIGN BUSINESSMEN.

8. DISCUSSION OF ECONOMIC ISSUES, ESPECIALLY AID, BETWEEN JAPANESE AND ASEAN REPRESENTATIVE, IS NOT EXPECTED TO SLACKEN MUCH SOON. MALAYSIAN AND THAI PRIME MINISTERS ARE TO VISIT TOKYO SEPARATELY WITHIN NEXT FEW WEEKS. JAPANESE WITH NUMEROUS OUTSTANDING REQUESTS ON THEIR HANDS ARE PREPARING SELECTION OF FAVORABLE RESPONSES WHICH THEY HOPE WILL BE APPROPRIATE. MOCHIZUKI COMMENTED THAT DESPITE VERY CIRCUMSPECT TERMS TO WHICH JAPANESE REDUCED JAPAN-ASEAN COMMUNIQUE, PRIME MINISTER "MADE A LOT OF COMMITMENTS. NOW WE MUST SHOW THAT WE ARE SINCERE."
MANSFIELD

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Message Attributes

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